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UNCLAS SECTION 01 OF 02 BEIJING 024171

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SUBJECT: HENAN PROVINCE'S NINE-CITY URBANIZATION PLAN

REF: BEIJING 2661

SUMMARY

11. (SBU) Provincial and municipal level officials in Central China's Henan Province look to rapid urbanization to accelerate economic growth and absorb excess rural labor. Henan's urbanization plan focuses on nine cities that account for 40 percent of the province's population and 60 percent of its economic output. Policymakers in Zhengzhou, the provincial capital, have designated specific roles for each of the cities, and they hope the policy will attract more farmers to urban areas. Local officials in Kaifeng are optimistic about economic development, but display concern about the long-term impact of rapid urbanization on rural stability. (Note: Zhengzhou is an APP city. End Note.) END SUMMARY.

TRAVEL TO HENAN

12. (SBU) Econoff, Conoff, and Econ Assistant traveled to Henan Province, November 6-8. In Zhengzhou, Emboffs met with Provincial officials at the Development and Reform Commission and Foreign Affairs Office. They also visited Henan People's Radio, and discussed the government's rural policy with faculty at the Henan Agricultural University. On November 7, Emboffs traveled to Kaifeng where they met with officials at the Municipal Development and Reform Commission and Municipal Agriculture and Forestry Bureau.

HENAN'S RAPID URBANIZATION

13. (SBU) Henan Provincial Government officials continue to emphasize that the best hope for the province's 70 million rural residents is to find work for them in the cities (reftel). With excess rural labor already heading to urban areas in search of employment, accelerating industrial development is a key objective for the government, said Shao Yingnan, Deputy Director of the Foreign Economy Department at the Henan Provincial Development and Reform Commission. Shao estimated that as much as 30 percent of rural income is derived from part-time work in the cities. Henan Province wants to attract investment from more private sector companies, including foreign investors, Shao said. Rapid urbanization and industrialization resulted in

13.9 percent GDP growth during the first nine months of 2006 compared to the same period the previous year. (Note: Henan's projected GDP growth rate in 2006 is consistent with its 14.1 percent growth rate in 2005. End Note.)

POLICY FOCUS ON NINE CITIES

14. (SBU) Henan Province's apparent urgency to attract private sector investment reflects officials' recognition that the land-locked province remains backward compared to its coastal neighbors. The China Daily reported in March 2006 that Henan Province's urbanization rate, at 30.7 percent, is significantly lower than the national average of 43 percent. Henan Province's urbanization plan focuses on nine cities that currently account for 40 percent of the province's population and 60 percent of its economic output. The nine cities, Zhengzhou, Kaifeng, Luoyang, Jiyuan, Xinxiang, Jiaozuo, Xuchang, Pingdingshan, and Luohe, each have specific designated roles. Provincial government officials stated, for example, that Zhengzhou and Luoyang will remain the province's industrial bases and financial centers, with other cities serving specific roles such as Kaifeng as a tourism hub, Jiaozuo as a coal producer, and Luohe as a livestock center. Zhengzhou, the provincial capital, also serves as Central China's major transportation and logistics hub.

KAIFENG: OPTIMISTIC ABOUT PROSPECTS...

15. (SBU) In Kaifeng, a city of 4.87 million residents east of Zhengzhou, municipal government officials expressed

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optimism about the Nine Cities plan and Kaifeng's role. Kaifeng, one of the "Seven Ancient Capitals of China," attracted 18 million tourists in 2005, and the city also emphasized development in its transportation and banking sectors during the year, said An Honghai, Director of the Kaifeng Development and Reform Commission. Rural residents in Kaifeng still account for approximately 80 percent of the municipality's population, but officials at the Kaifeng Agriculture and Forestry Bureau said that as in other parts of Henan, non-farm income is increasingly important in rural areas. Taken together with agricultural sector modernization, wage income from part-time work in the city or non-farm work in the countryside contributed to a 14 percent increase in Kaifeng's rural incomes in 2005, higher than the provincial average of 7.5 percent during the year.

...BUT WORRIED ABOUT REALITIES

16. (SBU) Rural residents in Kaifeng remain poor, however, and per capita rural income is only RMB 2714 (USD 340), An stated. Local officials said that they will continue to focus on raising rural incomes and strengthening social services such as education and health care. Officials stated that their greatest concern in Kaifeng is the growing conflict between rapid industrialization and preserving arable land. They claimed that the local government always offers compensation to farmers whose land is expropriated for development projects, and the most important element of the compensation is providing training to farmers who want to work in the city. Officials at the Agriculture and Forestry Bureau said that they remain concerned, however, about the long-term impact of rapid urbanization and resulting land confiscations on rural stability.

17. (SBU) Conflicts over the use of land are not limited, however, to the fringes of urban areas. In a model village development outside Kaifeng, one visibly upset farmer shouted to visiting Emboffs that she wanted to tell them her story about how she had been prevented from moving to

the model village. Local officials would say only that 80 of 200 families in the village "had the ability to pay" to move to units in the model village.

RANDT